

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**

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CHARTER SCHOOL NO. 4090  
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## **INTRODUCTORY SECTION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 SCHOOL BOARD AND ADMINISTRATION  
 JUNE 30, 2014**

**SCHOOL BOARD**

<b>NAME</b>	<b>TERM EXPIRES</b>	<b>BOARD POSITION</b>
Daniel Kelley	6/30/14	Board Chair
Bonnie Jean Flom	6/30/15	Vice-Chair
Randy Clay	6/30/14	Treasurer
Roz Eaton-Neeb	6/30/14	Secretary
Heidi Welsch	6/30/14	Trustee
Ben Miller	6/30/15	Trustee
Amy Haslett-Marroquin	6/30/15	Faculty
Kelsey Fitschen-Hemmah	6/30/14	Faculty
Julie Cohrs	6/30/16	Trustee
Simon Tyler		Director, Ex Officio
Keith Johnson		CFO, Ex Officio

**ADMINISTRATION**

Simon Tyler	Director of School
Keith Johnson	CFO
Ona Sheets	Business Manager
Colleen Braucher	Recording Secretary/Admin Asst.

School Office:	Charter School No. 4090 Prairie Creek Community School 27695 Denmark Avenue Northfield, MN 55057 (507) 645-9640
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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School  
Northfield, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Prairie Creek Community School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Prairie Creek Community School as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund, the Food Service Fund and the Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Prior Year Information**

We have previously audited Prairie Creek Community School's 2013 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated September 9, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Creek Community School's basic financial statements. The individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2014, on our consideration of Prairie Creek Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prairie Creek Community School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 1, 2014

**REQUIRED SUPPLEMENTARY INFORMATION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

This section of Prairie Creek Community School – Charter School No. 4090's annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the school's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2013-2014 fiscal year include the following:

- Overall General Fund revenues were \$1,733,067 as compared to \$1,719,680 of expenditures.
- The fund balance for the General Fund increased by \$13,387 from the prior year. Revenues and expenditures of the General Fund increased by 6.2% and 3.5%, respectively, from the previous year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of Prairie Creek Community School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more detail* than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**School-Wide Statements**

The School-wide statements report information about Prairie Creek Community School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's *net position* and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in Prairie Creek Community School's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of Prairie Creek Community School you need to consider additional non-financial factors such as changes in the School's creditworthiness and the condition of its school building.

In the School-wide financial statements Prairie Creek Community School's activities are shown in one category:

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. State aids finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the School's funds – focusing on its most significant or “major” funds – not Prairie Creek Community School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

The School has one fund type:

- *Governmental Funds* – Most of School's basic services are included in governmental funds, which generally focus on (1) how *cash, and other financial assets* that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

Prairie Creek Community School's *combined* net position was \$1,050,649 on June 30, 2014 (see Table A-1).

**Table A-1  
The School's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2014	2013	
Current and Other Assets	\$ 808,785	\$ 784,442	3.10 %
Capital and Non-Current Assets	392,865	421,377	(6.77)
<b>Total Assets</b>	<u>1,201,650</u>	<u>1,205,819</u>	(0.35)
Current Liabilities	<u>151,001</u>	<u>149,726</u>	0.85
Net Position:			
Investment in Capital Assets	392,865	421,377	(6.77)
Restricted	64,553	54,872	17.64
Unrestricted	593,231	579,844	2.31
<b>Total Net Position</b>	<u>\$ 1,050,649</u>	<u>\$ 1,056,093</u>	(0.52)

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Changes in Net Position**

The School's total revenues were \$1,904,286 for the year ended June 30, 2014. Unrestricted state formula aid accounted for 55% of total revenue for the year (see Figure A-1). Program revenue accounted for 41% of total revenue for the year. Another 4% came from other general revenues combined with investment earnings.

**Table A-2  
Change in Net Position**

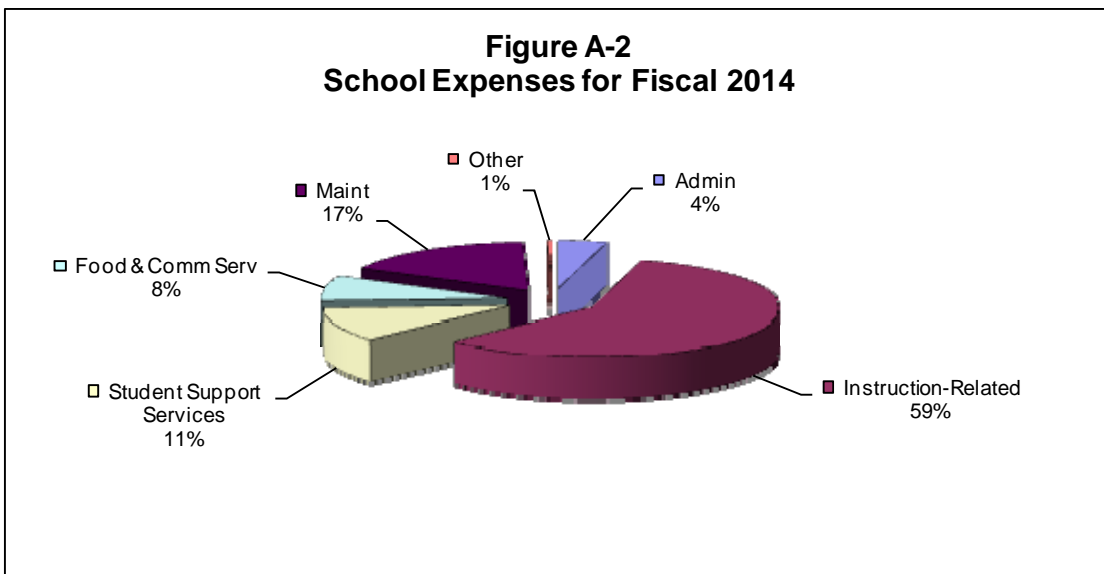
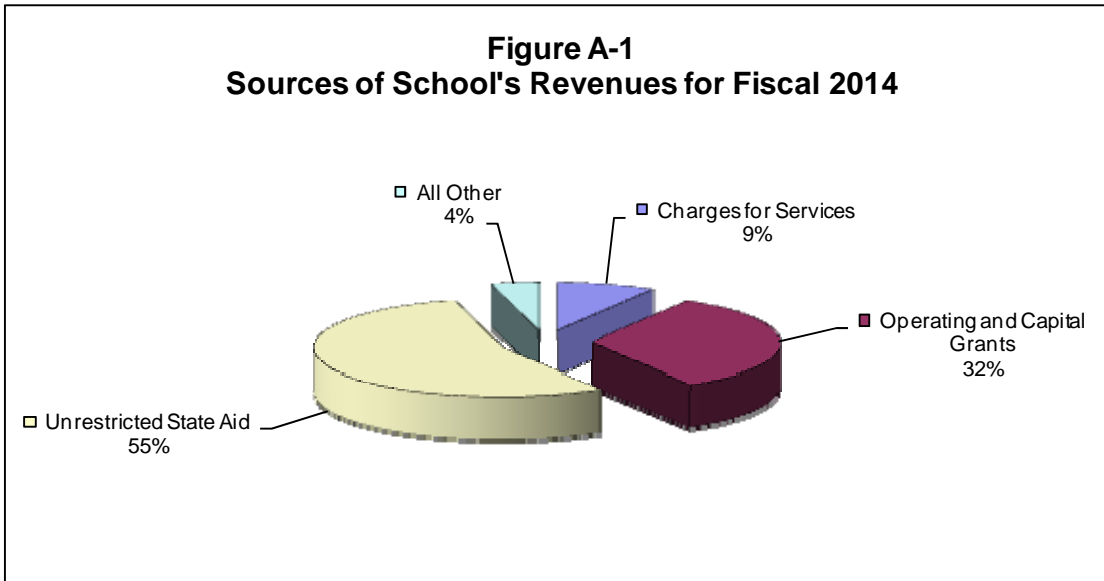
	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2014	2013	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 163,640	\$ 176,538	(7.31)%
Operating Grants and Contributions	620,196	559,880	10.77
<u>General Revenues</u>			
Unrestricted State Aid	1,041,709	1,012,679	2.87
Investment Earnings	1,241	1,892	(34.41)
Other	77,500	160,081	(51.59)
Total Revenues	<u>1,904,286</u>	<u>1,911,070</u>	(0.35)
<b>Expenses</b>			
Administration	80,742	67,419	19.76
District Support Services	195,106	186,088	4.85
Regular Instruction	769,287	700,144	9.88
Special Education Instruction	357,383	306,619	16.56
Instructional Support Services	8,063	8,895	(9.35)
Pupil Support Services	6,408	829	672.98
Sites and Buildings	323,419	420,330	(23.06)
Fiscal and Other Fixed Cost Programs	9,183	8,560	7.28
Food Service	54,959	47,973	14.56
Community Service	105,180	126,885	(17.11)
Total Expenses	<u>1,909,730</u>	<u>1,873,742</u>	1.92
<b>Change in Net Position</b>	(5,444)	37,328	
Beginning Net Position	1,056,093	1,018,765	
Ending Net Position	<u>\$ 1,050,649</u>	<u>\$ 1,056,093</u>	

Total expenses exceeded revenues, decreasing net position \$5,444 during the current fiscal year.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The cost of all *governmental* activities this year was \$1,909,730.

- Some of the cost was paid by the users of the Prairie Creek Community School's programs (\$163,640).
- The federal and state governments subsidized certain programs with restricted grants (\$620,196).
- The remainder of the School's costs were primarily paid for by unrestricted state aid.



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

All governmental funds includes not only funds received for the general operation of the School, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Service. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or Community Service to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

**Table A-3  
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2013		2014	2013	
Administration	\$ 80,742	\$ 67,419	19.76 %	\$ 80,742	\$ 67,419	19.76 %
District Support Services	195,106	186,088	4.85	195,106	186,088	4.85
Regular Instruction	769,287	700,144	9.88	723,388	653,497	10.69
Special Education Instruction	357,383	306,619	16.56	3,290	6,159	(46.58)
Instructional Support Services	8,063	8,895	(9.35)	8,063	8,895	(9.35)
Pupil Support Services	6,408	829	672.98	6,408	829	672.98
Sites and Buildings	323,419	420,330	(23.06)	110,794	207,705	(46.66)
Fiscal and Other Fixed Cost Programs	9,183	8,560	7.28	9,183	8,560	7.28
Food Service	54,959	47,973	14.56	17	(3,246)	(100.52)
Community Service	105,180	126,885	(17.11)	(11,097)	1,418	(882.58)
Total	<u>\$ 1,909,730</u>	<u>\$ 1,873,742</u>	1.92	<u>\$ 1,125,894</u>	<u>\$ 1,137,324</u>	(1.00)

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The financial performance of the School as a whole is reflected in its governmental funds as well. As Prairie Creek Community School completed the year, its governmental funds reported a *combined* fund balance of \$657,784, which was \$23,068 higher than last year's ending fund balance of \$634,716.

Revenues for the School's governmental funds were \$1,904,286 while total governmental funds expenditures were \$1,881,218.

**GENERAL FUND**

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6.

Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 96% of personnel expenditures.

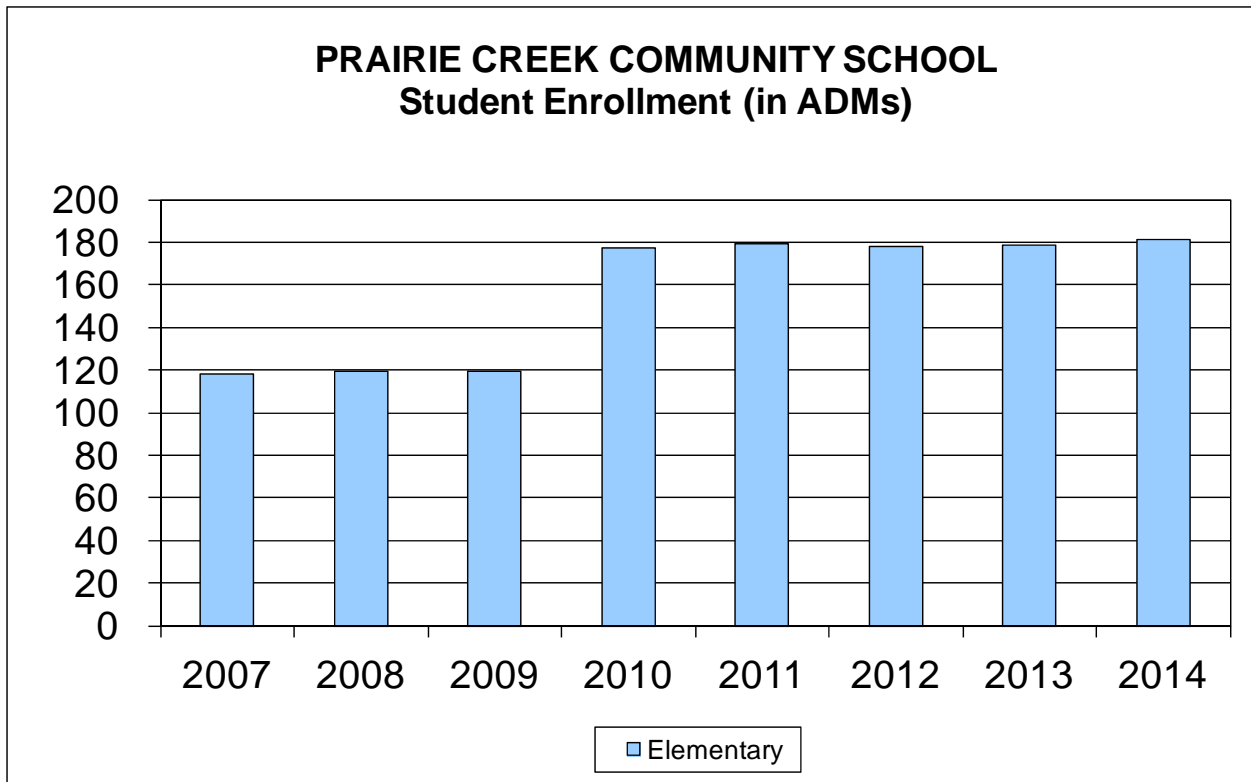


**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**ENROLLMENT**

Enrollment is a critical factor in determining revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that the number of students over the past five years has been constant.

**Table A-4  
Enrollment Trend  
Average Daily Membership (ADM)**



In the winter of 2009, Prairie Creek Community School completed a large expansion of its building enabling the School to add up to another 60 students to the School. Enrollment for the 2012-2013 school year was 181 students. Over the last four years, the School has maintained an average daily membership of between 178 - 181 students and it is anticipated that enrollment will remain steady within this range. The School has a waiting list of students wishing to attend the School and, therefore, performs lottery drawings annually for available spaces.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2014	June 30, 2013	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 1,241	\$ 1,892	\$ (651)	(34.4)%
Other	88,736	71,534	17,202	24.0
State Sources	1,580,035	1,493,488	86,547	5.8
Federal Sources	63,055	65,608	(2,553)	(3.9)
Total General Fund Revenue	<u>\$ 1,733,067</u>	<u>\$ 1,632,522</u>	<u>\$ 100,545</u>	6.2

Total General Fund Revenue increased by \$100,545 or 6.2% from the previous mainly year due to increased special education reimbursements and an increase in private grant funds received.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2014	June 30, 2013		
Salaries	\$ 884,934	\$ 797,442	\$ 87,492	11.0 %
Employee Benefits	252,093	230,232	21,861	9.5
Purchased Services	483,545	437,129	46,416	10.6
Supplies and Materials	65,141	58,751	6,390	10.9
Capital Expenditures	14,845	119,898	(105,053)	(87.6)
Other Expenditures	19,122	17,942	1,180	6.6
Total Expenditures	<u>\$ 1,719,680</u>	<u>\$ 1,661,394</u>	<u>\$ 58,286</u>	3.5

Total General Fund Expenditures increased \$58,286 or 3.5% from the previous year. This is largely due to higher special education costs resulting from greater student needs.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, Prairie Creek revises the annual operating budget in mid-year (if necessary) and then in late spring. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds carried over from the prior fiscal year.
- Legislative changes evaluated subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$870 (0.1%) less than expected. The actual expenditures were \$36,534 under budget for a 2.1% variance.

**OTHER MAJOR FUNDS**

Expenditures exceeded revenues in the Food Service Fund by \$17.

Revenues exceeded expenditures in the Community Service Fund by \$9,698.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2014, the Prairie Creek Community School had invested \$581,419 in its capital assets, including learning materials, computer and audio-visual equipment, leasehold improvements, and furniture (see Table A-7). Total depreciation expense for the year was \$35,596.

**Table A-7  
The School's Capital Assets**

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Leasehold Improvements	\$ 419,566	\$ 419,566	-
Equipment	161,853	154,769	4.6
Less: Accumulated Depreciation	<u>(188,554)</u>	<u>(152,958)</u>	23.3
Total	<u>\$ 392,865</u>	<u>\$ 421,377</u>	(6.8)

**Long-Term Liabilities**

Prairie Creek Community School has no long-term liabilities as of June 30, 2014.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**FACTORS BEARING ON PRAIRIE CREEK COMMUNITY SCHOOL'S FUTURE**

Prairie Creek Community School is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

Prairie Creek will maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders and creditors with a general overview of Prairie Creek's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Prairie Creek Community School, 27695 Denmark Avenue, Northfield, Minnesota 55057. The telephone number is 507-645-9640.

## **BASIC FINANCIAL STATEMENTS**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
STATEMENT OF NET POSITION  
JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Governmental Activities	
	2014	2013
<b>ASSETS</b>		
Cash	\$ 593,260	\$ 472,198
Receivables:		
Other Governments	188,122	278,208
Other	1,736	8,049
Prepaid Items	25,667	25,987
Capital Assets, Net of Depreciation	392,865	421,377
Total Assets	1,201,650	1,205,819
<b>LIABILITIES</b>		
Salaries Payable	134,259	121,523
Accounts and Contracts Payable	16,742	22,153
Unearned Revenue	-	6,050
Total Liabilities	151,001	149,726
<b>NET POSITION</b>		
Investment in Capital Assets	392,865	421,377
Restricted for:		
Food Service	8,145	8,162
Community Service	56,408	46,710
Unrestricted	593,231	579,844
Total Net Position	\$ 1,050,649	\$ 1,056,093

See accompanying Notes to Basic Financial Statements.



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2014	2013
<b>ASSETS</b>					
Cash	\$ 525,977	\$ 9,650	\$ 57,633	\$ 593,260	\$ 472,198
Receivables:					
Due from Minnesota Department of Education	188,122	-	-	188,122	265,557
Due from Federal through Minnesota Department of Education	-	-	-	-	12,651
Other Receivables	246	-	1,490	1,736	8,049
Prepaid Items	25,667	-	-	25,667	25,987
<b>Total Assets</b>	<b>\$ 740,012</b>	<b>\$ 9,650</b>	<b>\$ 59,123</b>	<b>\$ 808,785</b>	<b>\$ 784,442</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Salaries Payable	\$ 108,422	\$ -	\$ -	\$ 108,422	\$ 103,948
Payroll Deductions and Employer Contributions Payable	25,837	-	-	25,837	17,575
Accounts and Contracts Payable	12,522	1,505	2,715	16,742	22,153
Unearned Revenue	-	-	-	-	6,050
<b>Total Liabilities</b>	<b>146,781</b>	<b>1,505</b>	<b>2,715</b>	<b>151,001</b>	<b>149,726</b>
Fund Balance:					
Nonspendable:					
Prepaid Items	25,667	-	-	25,667	25,987
Restricted:					
Restricted for Food Service	-	8,145	-	8,145	6,987
Restricted for Community Education Programs	-	-	56,408	56,408	46,710
Unassigned	567,564	-	-	567,564	555,032
<b>Total Fund Balance</b>	<b>593,231</b>	<b>8,145</b>	<b>56,408</b>	<b>657,784</b>	<b>634,716</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 740,012</b>	<b>\$ 9,650</b>	<b>\$ 59,123</b>	<b>\$ 808,785</b>	<b>\$ 784,442</b>

See accompanying Notes to Basic Financial Statements.



**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 RECONCILIATION OF THE BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>Total Fund Balance for Governmental Funds</b>	\$ 657,784	\$ 634,716
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Leasehold Improvements, Net of Accumulated Depreciation	346,143	367,121
Equipment, Net of Accumulated Depreciation	46,722	54,256
<b>Total Net Position of Governmental Activities</b>	<b>\$ 1,050,649</b>	<b>\$ 1,056,093</b>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2014	2013
<b>REVENUES</b>					
Local Sources:					
Earnings on Investments	\$ 1,241	\$ -	\$ -	\$ 1,241	\$ 1,892
Other	88,736	36,127	116,277	241,140	234,757
State Sources	1,580,035	3,391	-	1,583,426	1,495,571
Federal Sources	63,055	15,424	-	78,479	76,988
Total Revenues	<u>1,733,067</u>	<u>54,942</u>	<u>116,277</u>	<u>1,904,286</u>	<u>1,809,208</u>
<b>EXPENDITURES</b>					
Current:					
Administration	80,742	-	-	80,742	67,419
District Support Services	195,106	-	-	195,106	185,372
Regular Instruction	749,307	-	-	749,307	670,569
Special Education Instruction	355,819	-	-	355,819	304,785
Instructional Support Services	8,063	-	-	8,063	8,895
Pupil Support Services	6,002	-	-	6,002	424
Sites and Buildings	300,613	-	-	300,613	295,472
Fiscal and Other Fixed Cost Programs	9,183	-	-	9,183	8,560
Food Service	-	54,959	-	54,959	47,973
Community Service	-	-	104,582	104,582	126,452
Capital Outlay	14,845	-	1,997	16,842	119,898
Total Expenditures	<u>1,719,680</u>	<u>54,959</u>	<u>106,579</u>	<u>1,881,218</u>	<u>1,835,819</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,387	(17)	9,698	23,068	(26,611)
<b>OTHER FINANCING SOURCES</b>					
Insurance Recovery Proceeds	-	-	-	-	101,862
Net Change in Fund Balances	13,387	(17)	9,698	23,068	75,251
Fund Balances - Beginning	579,844	8,162	46,710	634,716	559,465
Fund Balances - Ending	<u>\$ 593,231</u>	<u>\$ 8,145</u>	<u>\$ 56,408</u>	<u>\$ 657,784</u>	<u>\$ 634,716</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 RECONCILIATION OF THE STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014	2013
<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 23,068	\$ 75,251
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays	7,084	-
Depreciation Expense	(35,596)	(37,923)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (5,444)</b>	<b>\$ 37,328</b>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 2,800	\$ 1,300	\$ 1,241	\$ (59)
Other	53,272	87,062	88,736	1,674
State Sources	1,459,440	1,577,391	1,580,035	2,644
Federal Sources	57,362	68,184	63,055	(5,129)
Total Revenues	<u>1,572,874</u>	<u>1,733,937</u>	<u>1,733,067</u>	<u>(870)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	17,884	87,223	80,742	(6,481)
District Support Services	56,732	206,439	195,106	(11,333)
Elementary and Secondary Regular Instruction	1,129,645	739,653	749,307	9,654
Special Education Instruction	33,287	355,056	355,819	763
Instructional Support Services	10,089	8,713	8,063	(650)
Pupil Support Services	500	7,232	6,002	(1,230)
Sites and Buildings	305,926	304,676	300,613	(4,063)
Fiscal and Other Fixed Cost Programs	7,500	9,183	9,183	-
Capital Outlay	19,033	38,039	14,845	(23,194)
Total Expenditures	<u>1,580,596</u>	<u>1,756,214</u>	<u>1,719,680</u>	<u>(36,534)</u>
Net Change in Fund Balance	<u>\$ (7,722)</u>	<u>\$ (22,277)</u>	13,387	<u>\$ (37,404)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>579,844</u>	
End of Year			<u>\$ 593,231</u>	

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 MAJOR FOOD SERVICE FUND  
 YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 42,658	\$ 37,179	\$ 36,127	\$ (1,052)
State Sources	2,704	3,255	3,391	136
Federal Sources	17,347	14,660	15,424	764
Total Revenues	<u>62,709</u>	<u>55,094</u>	<u>54,942</u>	<u>(152)</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	<u>62,471</u>	<u>55,271</u>	<u>54,959</u>	<u>(312)</u>
Net Change in Fund Balance	<u>\$ 238</u>	<u>\$ (177)</u>	<u>(17)</u>	<u>\$ 160</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>8,162</u>	
End of Year			<u>\$ 8,145</u>	

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 MAJOR COMMUNITY SERVICE FUND  
 YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 79,175	\$ 113,370	\$ 116,277	\$ 2,907
<b>EXPENDITURES</b>				
Current:				
Community Service	79,175	116,351	104,582	(11,769)
Capital Outlay	-	1,997	1,997	-
Total Expenditures	79,175	118,348	106,579	(11,769)
Net Change in Fund Balance	\$ -	\$ (4,978)	9,698	\$ (8,862)
<b>FUND BALANCE</b>				
Beginning of Year			46,710	
End of Year			\$ 56,408	

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The financial statements of Prairie Creek Community School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

B. Financial Reporting Entity

Charter School No. 4090, also known as Prairie Creek Community School (the School), is a nonprofit corporation that was formed on February 20, 2002, in accordance with Minnesota Statutes. The School is authorized by Northfield Public Schools – and operates under a three-year charter school contract extending through June 30, 2016. The School is dedicated to providing imaginative teaching in an atmosphere of mutual respect. The governing body consists of a board of directors composed of up to eleven members elected by voters of the general membership of the School to serve either one or two-year terms.

The School's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the School is considered to be financially accountable.

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the School.

Aside from its authorizer role, Northfield Public Schools, has no authority, control, power, or administrative responsibilities over Prairie Creek Community School. Therefore, the School is not considered a component unit of the Northfield Public Schools.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's basic financial statements as part of the General Fund.



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the School-wide financial statements.

Separate Fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The School-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**1. Revenue Recognition**

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements incurred in advance of the year in which the item is to be used.

Unearned revenues are those in which resources are received by the School before it has a legal claim to them, including unearned revenues for the full day kindergarten program fees that were paid for the subsequent school year.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

As required by state statute, Prairie Creek Community School operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the school comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. A description of the funds included in this report are as follows:

*Major Governmental Funds*

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations of the School as well as the capital related activities such as maintenance of facilities and equipment purchases.

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenue is generated from the sales of meals to students and teachers.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided for school age care and a full-day kindergarten program. Revenue is generated from program fees paid by program participants.

E. Income Taxes

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. For fiscal 2014, the School Board adopted an annual budget for the General, Food Service and Community Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Director submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Budgeting (Continued)

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at the line item level.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

Budgeted amounts include mid-year budget amendments that changed revenue and expenditure budgets as follows:

<u>Revenues</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 1,572,874	\$ 161,063	\$ 1,733,937
Special Revenue Funds:			
Food Service Fund	62,709	(7,615)	55,094
Community Service Fund	79,175	34,195	113,370
 <u>Expenditures</u>			
General Fund	\$ 1,580,596	\$ 175,618	\$ 1,756,214
Special Revenue Funds:			
Food Service Fund	62,471	(7,200)	55,271
Community Service Fund	79,175	39,173	118,348

G. Cash

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

H. Accounts Receivable

Accounts receivable represents amounts due from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Expense is allocated over the period benefitted.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$1,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 20 years for equipment and leasehold improvements.

The School does not possess any material amounts of infrastructure capital assets.

K. Accrued Employee Benefits

Unpaid sick and personal leave has not been accrued in any funds as these benefits do not vest to employees.

L. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid items, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education chose not to authorize anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts in the General Fund. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School's policy to use restricted first, then unrestricted fund balance.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

N. Net Position

Net position represents the difference between assets and liabilities in the School-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

O. Summarized Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**NOTE 2 DEPOSITS**

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and the balance sheet as "Cash." In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 DEPOSITS (CONTINUED)**

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The School's deposits in banks at June 30, 2014 in the amount of \$612,187 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated:				
Leasehold Improvements	\$ 419,566	\$ -	\$ -	\$ 419,566
Equipment	<u>154,769</u>	<u>7,084</u>	<u>-</u>	<u>161,853</u>
Total Capital Assets, Being Depreciated	574,335	7,084	-	581,419
Accumulated Depreciation for:				
Leasehold Improvements	(52,445)	(20,978)	-	(73,423)
Equipment	<u>(100,513)</u>	<u>(14,618)</u>	<u>-</u>	<u>(115,131)</u>
Total Accumulated Depreciation	<u>(152,958)</u>	<u>(35,596)</u>	<u>-</u>	<u>(188,554)</u>
Governmental Activities Capital Assets, Net	<u>\$ 421,377</u>	<u>\$ (28,512)</u>	<u>\$ -</u>	<u>\$ 392,865</u>

Depreciation expense was charged to functions of the School as follows:

<b>Governmental Activities</b>	
Regular Instruction	\$ 10,221
Special Education Instruction	1,564
Community Education	599
Pupil Support Services	406
Sites and Buildings	22,806
Total Depreciation Expense, Governmental Activities	<u>\$ 35,596</u>

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 RETIREMENT PLANS**

Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teacher's Retirement Association (TRA)

**1. Plan Description**

All teachers employed by the School are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for five consecutive years of allowable service, age, and years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA Web site [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association  
60 Empire Drive Suite 400  
St Paul MN 55103-1855  
651-296-6449  
800-657-3853



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 RETIREMENT PLANS (CONTINUED)**

A. Teacher's Retirement Association (TRA) (Continued)

**2. Funding Policy**

Minnesota Statutes, Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 7.0% and 10.5%, respectively, of their annual covered salary while the School is required to contribute at an actuarially determined rate.

The School is required to contribute the following percentages of annual covered payroll: 7.0% for Coordinated Plan members and 11.0% for Basic Plan members. The contribution requirements of plan members and the School are established and may be amended by State Statute.

The School contributions for the years ended June 30, 2014, 2013 and 2012 were \$49,295, \$40,465 and \$37,361, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

**1. Plan Description**

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the web at [www.mnpera.org](http://www.mnpera.org). Alternatively, a copy of the report may be obtained by writing or calling PERA:

Public Employees' Retirement Association  
60 Empire Drive Suite 200  
St Paul MN 55103-2088  
651-296-7460  
800-652-9026

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 RETIREMENT PLANS (CONTINUED)**

B. Public Employees' Retirement Association (PERA) (Continued)

**2. Funding Policy**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by state statutes. GEF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary.

The School was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GEF members and 7.25% for Coordinated Plan GEF members.

The School's contributions to the General Employees Retirement Fund for the years ended June 30, 2014, 2013 and 2012 were \$18,627, \$19,960 and \$16,945, respectively, equal to the contractually required contributions for each year as set by state statute.

**NOTE 5 COMMITMENTS AND CONTINGENCIES**

A. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**B. Lease Commitments and Terms**

During fiscal year 2009, the School signed a new lease effective July 1, 2009, with a 21-year period through June 30, 2030. The initial base lease of \$236,250 requires monthly payments of \$19,688 and the lessee to pay the cost of utilities. The square foot cost of the base lease is \$11.25. The yearly cost of the base lease will increase each year based on a \$.25 increase per sq. ft. as an inflationary factor, except in fiscal year 2016, in which there is zero increase. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 262,500
2016	262,500
2017	267,750
2018	273,000
2019	278,250
2020 - 2024	1,470,000
2025 - 2030	1,937,250
Total Minimum Lease Payments	<u><u>\$ 4,751,250</u></u>

For fiscal 2014, the School qualified for state charter school lease aid of \$212,625 based on 90% of the state-approved lease expenditures. Such aid entitlement is expected to be prorated if state-wide appropriations are insufficient to fully fund the charter school lease aid entitlements. The total amount of rent paid by the School to under the terms of the lease agreement was \$252,200 for fiscal 2014.

The School's ability to make payments under this lease agreement for educational space is dependent on its revenues which are, in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

On January 13, 2011, the School entered into a lease agreement for a copier. The term of the lease is four years ending on January 12, 2015. The lease calls for monthly payments of \$179 and future minimum payments on the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 2,141
2016	1,070
Total Minimum Lease Payments	<u><u>\$ 3,211</u></u>

## **SUPPLEMENTARY INFORMATION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 GENERAL FUND  
 BALANCE SHEET  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash	\$ 525,977	\$ 411,240
Receivables:		
Accounts and Interest Receivable	246	7,005
Due from Minnesota Department of Education	188,122	265,557
Due from Federal through the Minnesota Department of Education	-	12,651
Prepaid Items	25,667	24,812
Total Assets	\$ 740,012	\$ 721,265
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries Payable	\$ 108,422	\$ 103,948
Payroll Deductions and Employer Contributions Payable	25,837	17,575
Accounts and Contracts Payable	12,522	19,898
Total Liabilities	146,781	141,421
Fund Balance:		
Nonspendable:		
Prepaid Items	25,667	24,812
Unassigned	567,564	555,032
Total Fund Balance	593,231	579,844
Total Liabilities and Fund Balance	\$ 740,012	\$ 721,265

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 1,300	\$ 1,241	\$ (59)	\$ 1,892
Other	87,062	88,736	1,674	71,534
State Sources	1,577,391	1,580,035	2,644	1,493,488
Federal Sources	68,184	63,055	(5,129)	65,608
Total Revenues	1,733,937	1,733,067	(870)	1,632,522
<b>EXPENDITURES</b>				
Current:				
Administration:				
Salaries	46,981	46,981	-	34,395
Employee Benefits	21,990	18,426	3,564	17,482
Purchased Services	3,584	861	2,723	1,195
Other Expenditures	14,668	14,474	194	14,347
Total Administration	87,223	80,742	6,481	67,419
District Support Services:				
Salaries	110,715	104,626	6,089	96,343
Employee Benefits	34,749	34,364	385	31,187
Purchased Services	46,916	42,356	4,560	42,519
Supplies and Materials	9,500	9,201	299	11,973
Other Expenditures	4,559	4,559	-	3,350
Total District Support Services	206,439	195,106	11,333	185,372
Elementary and Secondary Regular Instruction:				
Salaries	522,899	528,135	(5,236)	473,831
Employee Benefits	142,260	145,358	(3,098)	134,704
Purchased Services	42,545	43,315	(770)	35,274
Supplies and Materials	31,949	32,499	(550)	26,760
Capital Expenditures	30,000	14,845	15,155	17,944
Total Elementary and Secondary Regular Instruction	769,653	764,152	5,501	688,513

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Special Education Instruction:				
Salaries	\$ 204,511	\$ 205,192	\$ (681)	\$ 191,138
Employee Benefits	56,724	53,945	2,779	46,703
Purchased Services	77,321	77,924	(603)	51,249
Supplies and Materials	16,250	18,758	(2,508)	15,695
Capital Expenditures	8,039	-	8,039	-
Other Expenditures	250	-	250	-
Total Special Education Instruction	363,095	355,819	7,276	304,785
Instructional Support Services:				
Salaries	-	-	-	275
Employee Benefits	-	-	-	39
Purchased Services	7,924	7,423	501	7,518
Supplies and Materials	700	551	149	818
Other Expenditures	89	89	-	245
Total Instructional Support Services	8,713	8,063	650	8,895
Pupil Support Services:				
Purchased Services	7,232	6,002	1,230	424
Sites and Buildings:				
Salaries	-	-	-	1,460
Employee Benefits	-	-	-	117
Purchased Services	299,676	296,481	3,195	290,390
Supplies and Materials	5,000	4,132	868	3,505
Capital Expenditures	-	-	-	101,954
Total Sites and Buildings	304,676	300,613	4,063	397,426

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL (CONTINUED)  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts	Final Budget	Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Fiscal and Other Fixed Cost Programs:				
Purchased Services	\$ 9,183	\$ 9,183	\$ -	\$ 8,560
Total Expenditures	1,756,214	1,719,680	36,534	1,661,394
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,277)	13,387	35,664	(28,872)
<b>OTHER FINANCING SOURCES</b>				
Insurance Recovery Proceeds	-	-	-	101,862
Net Change in Fund Balance	\$ (22,277)	13,387	\$ 35,664	72,990
<b>FUND BALANCE</b>				
Beginning of Year		579,844		506,854
End of Year		\$ 593,231		\$ 579,844



**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 FOOD SERVICE SPECIAL REVENUE FUND  
 BALANCE SHEET  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash	\$ 9,650	\$ 7,551
Receivables:		
Accounts and Interest Receivable	-	59
Prepaid Items	-	1,175
	\$ 9,650	\$ 8,785
Total Assets		
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts and Contracts Payable	\$ 1,505	\$ 623
Fund Balance:		
Nonspendable:		
Prepaid Items	-	1,175
Restricted for Food Service	8,145	6,987
Total Fund Balance	8,145	8,162
Total Liabilities and Fund Balance	\$ 9,650	\$ 8,785

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 FOOD SERVICE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 37,179	\$ 36,127	\$ (1,052)	\$ 37,756
State Sources	3,255	3,391	136	2,083
Federal Sources	14,660	15,424	764	11,380
Total Revenues	55,094	54,942	(152)	51,219
<b>EXPENDITURES</b>				
Current:				
Purchased Services	766	751	(15)	263
Supplies and Materials	54,505	54,208	(297)	47,710
Total Expenditures	55,271	54,959	(312)	47,973
Net Change in Fund Balance	\$ (177)	(17)	\$ 160	3,246
<b>FUND BALANCE</b>				
Beginning of Year		8,162		4,916
End of Year		\$ 8,145		\$ 8,162

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 BALANCE SHEET  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash	\$ 57,633	\$ 53,407
Receivables:		
Accounts and Interest Receivable	1,490	985
Total Assets	\$ 59,123	\$ 54,392
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts and Contracts Payable	\$ 2,715	\$ 1,632
Unearned Revenue	-	6,050
Total Liabilities	2,715	7,682
Fund Balance:		
Restricted for Community Service	56,408	46,710
Total Liabilities and Fund Balance	\$ 59,123	\$ 54,392

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 113,370	\$ 116,277	\$ 2,907	\$ 125,467
<b>EXPENDITURES</b>				
Current:				
Salaries	97,929	86,143	(11,786)	103,787
Employee Benefits	11,442	10,004	(1,438)	13,073
Purchased Services	-	1,315	1,315	2,824
Supplies and Materials	6,980	7,120	140	6,768
Capital Outlay	1,997	1,997	-	-
Total Expenditures	118,348	106,579	(11,769)	126,452
Net Change in Fund Balance	\$ (4,978)	9,698	\$ (8,862)	(985)
<b>FUND BALANCE</b>				
Beginning of Year		46,710		47,695
End of Year		\$ 56,408		\$ 46,710

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2014**

	AUDIT	UFARS	Difference
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 1,733,067	\$ 1,733,067	\$ -
Total Expenditures	1,719,680	1,719,680	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	25,667	25,667	-
<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
411 Severance Pay	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Crime	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	567,564	567,563	1
<b>02 FOOD SERVICE</b>			
Total Revenue	54,942	54,942	-
Total Expenditures	54,959	54,958	1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	8,145	8,145	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	116,277	116,276	1
Total Expenditures	106,579	106,578	1
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	56,408	56,408	-
<i>Unreserved:</i>			
463 Unassigned Fund Balance	-	-	-

## **OTHER REQUIRED REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School  
Northfield, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Prairie Creek Community School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Prairie Creek Community School's basic financial statements, and have issued our report thereon dated October 1, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Prairie Creek Community School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie Creek Community School's internal control. Accordingly, we do not express an opinion on the effectiveness of Prairie Creek Community School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Prairie Creek Community School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 1, 2014



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

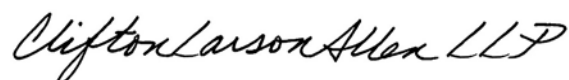
Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School  
Northfield, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Prairie Creek Community School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 1, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, identifies two main categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Prairie Creek Community School failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the School's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Schools compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 1, 2014